



IDAHO LEGISLATURE BUDGET WATCH

October 2003

Legislative Services Office, Budget & Policy Analysis

Big Picture Update; still positive

September revenue collections exceeded DFM's revised forecast by \$2.4 million, bringing the fiscal year to date collections \$16.4 million ahead of the forecasted amounts. July exceeded forecasted amounts by \$10 million and August came in \$4.0 million ahead.

This puts the estimated year-end balance for FY 2004 at about \$59.2 million (see line 15 below). As we noted last month, however, the surplus scenario is due entirely to the one-time federal relief package, which includes \$50 million in revenues and about \$30.4 million in Medicaid match reductions.

Nonetheless, it is noteworthy that September marks the fifth month in a row that revenue collections have come in higher than forecasted amounts.

Forecast for Corrections Growth Revised Downward

The Forecast Advisory Committee recently completed its work estimating offender growth for the Department of Correction for FY 2004 and FY 2005.

The *Original Forecast* used during the 2003 legislative session for budget-setting projected that the state would have 493 more inmates (or 8% more) by the end of FY 2004 than they did at the end FY 2003.

The *2004 Revised Forecast* estimates the Department will receive 247 inmates over the course of the current fiscal year ending on June 30, 2004. This is equivalent to a 4.2% increase, but 246 fewer than the original forecast.

The new forecasts are influenced by low FY 2003 actual growth of 23; reduced length-of-stay for inmates at Cottonwood by returning them more quickly to the counties upon program completion; reduced backlog in parole violator hearings; and higher numbers of releases to parole.

All of this, of course, translates into budget savings for this year. The Legislature provided a "contingency" appropriation of \$1.0 million in General Funds in case the original estimates on inmate growth materialized. If inmate growth continues tracking at the lower level upon which JFAC based the core appropriation, that \$1.0 million could be returned to the General Fund.

At the end of FY 2003 the state had 5,825 offenders in state facilities and county jails. The newest forecast projects the number of offenders to be 6,072 at the end of FY 2004, and 6,337, or 265 new inmates at the end of FY 2005. The Department is requesting \$5.6 million in new funding to house and pay for medical expenses of the new inmates in FY 2005.

Fiscal Year 2004

REVENUES		Sine Die Estimate	Current Estimate
1.	Beginning Balance	\$ 6,274,200	\$ 15,745,000
FY 2004 Revenue Estimate			
2.	Baseline revenue estimate*	1,828,700,000	1,793,534,900
3.	Statutory changes (sales tax & others)	183,776,500	184,640,000
4.	Plus federal flexible grant funds	0	50,000,000
5.	July thru Sept. revenues; over/under to date	0	16,400,000
6.	Total General Fund Revenues	\$ 2,018,750,700	\$ 2,060,319,900
7.	Transfer to Democracy Fund	0	(167,000)
8.	Total Revenues Available	\$2,018,750,700	\$2,060,152,900
EXPENDITURES			
9.	Original FY 2004 Appropriations	\$ 2,004,053,000	\$ 2,004,053,000
10.	Reappropriations	0	2,061,300
11.	Supplemental for fire suppression	0	10,285,000
12.	Medicaid caseload & utilization increase	0	14,986,300
13.	One-time federal Medicaid match reduction	0	(30,391,100)
14.	Total Estimated Expenditures	\$ 2,004,053,000	\$ 2,000,994,500
15.	Estimated Ending Balance	\$ 14,697,700	\$ 59,158,400
*Original estimate based on a 4.1% increase before tax law changes; revised estimate based on a 3.2% increase over FY 2003 actual collections, before tax law changes.			

Monthly Revenue Update

	Total FY 2004 Forecast*	Percent Change from FY 2003	September Actual Collections	September Compared to Forecast	Year-to-Date Actual Collections	Year-to-Date Compared to Forecast
Individual Income Tax	\$882.8	5.4%	\$64.8	\$2.6	\$200.5	\$10.5
Corporate Income Tax	\$96.7	3.8%	\$16.0	(\$0.1)	\$23.3	\$0.5
Sales Tax	\$865.6	23.6%	\$75.7	\$0.3	\$232.1	\$5.8
Product Taxes	\$45.6	109.6%	\$4.0	(\$0.2)	\$11.8	(\$0.4)
Miscellaneous Revenue	\$137.5	40.9%	\$10.5	(\$0.2)	\$45.3	\$0.0
TOTAL	\$2,028.2	15.9%	\$171.1	\$2.5	\$513.1	\$16.4

*The total forecast of \$2,028.2 million represents DFM's August revised forecast, minus the \$13.4 million distribution to local governments for the repeal of personal property taxes on agricultural equipment, which represents cash that never actually reaches the General Fund.

September revenues exceeded the monthly forecast, with overall General Fund collections coming in \$2.4 million above projections. Most of this performance can be attributed to the Individual Income Tax, which came in \$2.6 million above the monthly forecast. All four of the remaining revenues sources were within \$0.3 million of forecasted monthly amounts. Total fiscal year collections to date are now \$16.4 million ahead of projections, with monthly collections exceeding forecasts in each month since April.

State Employee Salary Recommendation

By October 1st of each year the Idaho Division of Human Resources is required by law to make recommendations to the Governor on changes needed to keep state employee salaries competitive with the labor market average. This year DHR's market analysis found that state employee salaries currently lag labor market average rates by 14.6%. The report contains seven recommendations (see the Idaho Division of Human Resources web page under "What's New" for the entire report). The Legislature makes the final decision regarding the annual statewide salary package.

1. Keep the current salary schedule with no changes
2. Create pay schedules unique to occupational groups.
3. Provide an average 10% permanent increase for nursing occupations.
4. Adopt a strategy to address market salary competition.
5. Provide a 6.8% CEC increase for state employees to fund the first year of a five-year plan to reach average market pay.
6. Or; provide as much permanent CEC increase as possible, and simply change the law which requires the labor market average to be the state compensation goal.
7. If no CEC is possible because of budget constraints, provide a pool of funds equal to 2% for a one-time retention and recognition program. The funds would be used for one-time awards, of up to 10% of an employee's salary.

**Legislative Services Office
Budget & Policy Analysis
State Capitol, Rm 334
Boise, ID 83720-0054**

**(208) 334-3531
(208) 334-2668 FAX
www.jfac.state.id.us**